

12 May 2023

Biomass value builds

NEED TO KNOW

- FY23 sales on track for record year
- Biomass value increase of +16% driven by improved pricing environment and reduced production costs
- Increase in debt funding provides growth optionality

Harvest and processed volumes support strong orderbook: while sales revenue was down qoq to \$0.99m (from \$1.68m), largely due to seasonality factors, record volumes processed and strong volumes harvested of abalone support a strong order book, with RFA on track to record FY23 sales revenue.

Biomass valuation increased: RFA's bi-annual assessment of the biomass led to a fair value of \$8.8m, +16% vs six months prior, which was driven by higher average sales prices (+9%), and reduced costs to harvest, process and distribute (-23%). Biomass size remained consistent at 196 tonnes, which equates to more than two years equivalent of harvest volumes.

Increased debt funding facility provides flexibility: the increase in revolving credit facility from \$1.0m to \$2.5m, which was undrawn at the end of Q3, enables management to continue pursuing growth initiatives to further build scale, while generating positive operating cashflow from the core business.

Investment Thesis

Through a growing global network of master distributors, RFA is positioned to meet growing demand for sustainable high-end culinary offerings, including seafood, through its tiered offering of farmed, ranched and wild abalone.

RFA has Marine Stewardship Council (MSC) accreditation (blue fish tick) and is the only wild enhanced fishery globally that is using sustainable practices to commercially produce wild greenlip abalone. The company supplies more than 20% of global supply for wild greenlip abalone.

RFA holds the only two licensed ocean leases in WA which allow use of the ocean floor. Through its **extensive R&D program**, the company is learning to maximise biomass growth and yields by improving juvenile survival, which will lead to greater and more sustainable harvest volumes, from the same cost base, hence lifting margins.

Valuation – Base Case of \$0.33 (Unchanged)

Our base-case 12-month forward DCF valuation remains at A\$0.33 (unchanged). A conservative cross-check, taking out growth from the Esperance Project, implies a valuation of A\$0.13. Our valuation and thesis is supported by RFA's position as the only MSC accredited (blue fish tick) wild enhanced Greenlip Abalone fishery globally, that is using sustainable practices to commercially produce wild greenlip abalone.

Risks

Changes to Esperance: a large part of our base case valuation includes the Esperance development. We caveat this with our ex-Esperance valuation.

Ability to raise capital: to support growth initiatives, including the Esperance project, RFA will require external funding.

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Rare Foods Australia (RFA) grows wild greenlip abalone through an aquaculture technique known as 'sea ranching'. With this method, hatchery-bred juvenile abalone are placed in the ocean onto RFA-designed artificial reefs ('ABITATS') and left to nature to grow for 2–3 years until they reach a marketable size. The company has the competitive advantages of providing year-round supply to meet market demand and a method that offers proven sustainability.

Valuation	A\$0.33 (unchanged)
Current price	A\$0.077
Market cap	A\$16m
Cash on hand	A\$0.24m

MST Access Live

Video Link – [Webcast with Exec Management](#) (2 May 2023)

Upcoming Catalysts / Next News

Period

Ongoing	Potential accretive growth initiatives
4 months	4 th Quarter and FY results

Share Price (\$A)



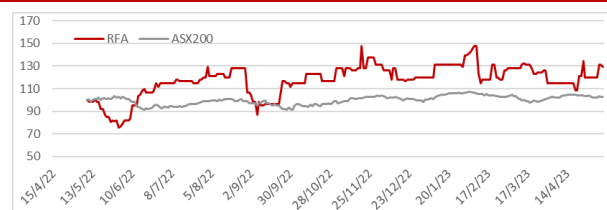
Source: FactSet, MST Access

Financial Summary

MARKET DATA

Price	\$	0.077
DCF Valuation - 12 month	\$	0.33
Total return - 12 month	%	329%
52 week high / low	\$	0.045-0.09
Market capitalisation	\$m	16.0
Shares on issue (ordinary)	m	202.3
Options / rights	m	9.7
Shares on issue (diluted)	m	212.0

12 month relative performance versus S&P/ASX 200



INVESTMENT FUNDAMENTALS

	FY21A	FY22A	FY23E	FY24E	FY25E	
Reported NPAT	\$m	-1.7	-0.9	0.4	1.0	-1.2
Underlying NPAT	\$m	-1.7	-0.9	0.4	1.0	-1.2
Reported EPS (diluted)	¢	-0.8	-0.4	0.2	0.4	-0.4
Underlying EPS (diluted)	¢	-0.8	-0.4	0.2	0.4	-0.4
...Growth	%	nm	nm	nm	90%	nm
Underlying PER	x	nm	nm	nm	38.8	20.4
Operating cash flow per share	¢	0.1	-0.9	0.1	0.5	0.2
Free cash flow per share	¢	0.0	-1.2	0.0	-5.6	-3.2
Price to free cash flow per share	x	570.5	nm	nm	nm	nm
FCF yield	%	0.2%	-15.8%	-0.1%	-73%	-42.0%

Dividend

Payout	%	0%	0%	0%	0%	0%
Yield	%	0.0%	0.0%	0.0%	0.0%	0.0%
Franking	%	0%	0%	0%	0%	0%

Enterprise value

EV/Sales	x	2.6	2.7	2.2	4.2	5.2
EV/EBITDA	x	nm	nm	nm	nm	nm
EV/EBIT	x	nm	nm	nm	nm	nm
Price to book (NAV)	x	1.0	0.9	0.9	0.6	0.5
Price to NTA	x	1.0	0.9	0.9	0.6	0.5

KEY RATIOS incl FV adjustment

	FY21A	FY22A	FY23E	FY24E	FY25E	
Gross margin	%	18.6	37.4	36.8	36.8	36.8
NPAT margin	%	nm	nm	5.9	12.9	nm
ROE	%	nm	nm	3.3	4.2	nm
ROA	%	nm	nm	2.5	2.6	nm

Net tangible assets per share	¢	6.8	6.4	6.3	9.2	7.0
Book value per share	¢	7.8	8.2	8.2	15.2	15.5
Net debt / (cash)	\$m	-2.7	-0.1	-0.1	8.3	19.7
Gearing (net debt / EBITDA)	x	1.5	0.1	0.1	nm	nm
Leverage (net debt / (net debt + equity))	x	-0.2	0.0	0.0	0.3	0.5

DUPONT ANALYSIS

	FY21A	FY22A	FY23E	FY24E	FY25E	
Net Profit Margin	%	nm	nm	5.9	12.9	nm
Asset Turnover	x	0.3	0.4	0.4	0.2	0.2
Return on Assets	%	nm	nm	2.5	2.6	nm
Financial Leverage	x	1.1	1.3	1.3	1.6	2.2
Return on Equity	%	nm	nm	3.3	4.2	nm

KEY PERFORMANCE INDICATORS

	FY21A	FY22A	FY23E	FY24E	FY25E	
Biological asset base	T	210.4	203.4	200.0	192.0	186.2
Biological asset base	\$m	6.3	7.6	8.8	8.8	8.8
Growth	%	-37%	21%	16%	1%	0%
Harvest	T	75.9	81.7	82.0	90.0	100.0
Sales	T	72.0	74.4	77.9	85.5	95.0
Sales Price, per KG	\$	44.2	51.9	56.7	59.5	61.3
Growth	%	-16%	18%	9%	5%	3%
Abalone revenue	\$m	3.2	3.9	4.4	5.1	5.8
Growth	%	72%	21%	14%	15%	14%

PROFIT AND LOSS

	FY21A	FY22A	FY23E	FY24E	FY25E	
Abalone Revenue	\$m	3.2	3.9	4.4	5.1	5.8
Total Revenue	\$m	5.1	6.0	7.1	8.0	8.8
Operating Expenses	\$m	-6.9	-7.3	-8.6	-9.4	-10.3
EBITDA	\$m	-1.8	-1.3	-1.5	-1.3	-1.5
Depreciation & amortisation	\$m	-0.7	-0.6	-0.6	-0.4	-2.0
EBIT	\$m	-2.5	-2.0	-2.1	-1.7	-3.4
Net interest	\$m	0.0	0.0	0.0	0.0	-0.5
Fair value adjustment on biomass	\$m	0.7	2.0	2.5	2.8	2.7
Other non operating income	\$m	0.0	0.0	0.0	0.0	0.0
PBT	\$m	-1.8	0.0	0.4	1.0	-1.2
Tax expense	\$m	0.1	-0.9	0.0	0.0	0.0
Reported NPAT	\$m	-1.7	-0.9	0.4	1.0	-1.2
Adjustments to underlying	\$m	0.0	0.0	0.0	0.0	0.0
Underlying NPAT	\$m	-1.7	-0.9	0.4	1.0	-1.2
Weighted average shares	m	200.7	200.7	201.5	264.8	332.1
Weighted average diluted shares	m	200.7	200.7	211.2	274.5	337.0

GROWTH PROFILE

	FY21A	FY22A	FY23E	FY24E	FY25E	
Total Revenue	%	1.8	18.2	19.2	12.7	10.0
EBITDA	%	nm	nm	nm	nm	nm
EBIT	%	nm	nm	nm	nm	nm
Underlying NPAT	%	nm	nm	nm	147.2	nm
Underlying EPS	%	nm	nm	nm	90.2	nm
DPS	%	n/a	n/a	n/a	n/a	n/a

BALANCE SHEET

	FY21A	FY22A	FY23E	FY24E	FY25E	
Cash	\$m	2.7	0.8	0.8	4.4	5.0
Receivables	\$m	1.3	2.1	1.9	2.1	2.3
Inventory	\$m	0.4	0.8	0.5	0.6	0.7
Biological assets	\$m	6.3	7.6	8.8	8.8	8.8
Property, plant & equip, ROUA	\$m	4.6	4.6	4.1	23.9	34.0
Goodwill and intangibles	\$m	0.1	0.1	0.1	0.1	0.1
Other	\$m	0.3	0.5	0.4	0.4	0.4
Total assets	\$m	15.7	16.5	16.6	40.3	51.4
Payables	\$m	0.8	0.8	1.1	1.2	1.4
Borrowings	\$m	0.0	0.7	0.7	12.7	24.7
Other	\$m	1.1	2.0	2.0	1.9	1.8
Total liabilities	\$m	1.9	3.5	3.8	15.8	27.9
Net assets	\$m	13.7	13.0	12.8	24.5	23.5
Equity	\$m	27.0	27.0	27.0	37.4	37.4
Retained earnings	\$m	-13.3	-14.0	-14.2	-12.9	-13.9
Minorities	\$m	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	\$m	13.7	13.0	12.8	24.5	23.5

CASH FLOW

	FY21A	FY22A	FY23E	FY24E	FY25E	
Net Income (Cashflow)	\$m	-2.5	-1.9	-2.0	-1.6	-3.4
Depreciation & Amortization	\$m	0.7	0.6	0.6	0.4	2.0
Change in Net Operating Assets	\$m	1.9	0.2	1.5	2.5	2.6
Other Non-Cash Items, Total	\$m	0.0	-0.7	0.0	0.0	-0.5
Operating cash flow	\$m	0.2	-1.8	0.1	1.2	0.7
Capital expenditure	\$m	0.0	-0.7	-0.1	-20.0	-12.0
Acquisitions/divestment/other	\$m	-0.1	0.0	0.0	0.0	0.0
Investing cash flow	\$m	-0.1	-0.7	-0.1	-20.0	-12.0
Equity	\$m	0.0	0.0	0.0	10.4	0.0
Increase / (decrease) in borrowings	\$m	0.0	0.7	0.0	12.0	12.0
Dividend/other	\$m	-0.1	-0.1	-0.1	-0.1	-0.1
Financing cash flow	\$m	-0.1	0.6	-0.1	22.4	11.9
Opening cash	\$m	2.6	2.7	0.8	0.8	4.4
Net cash flow	\$m	-0.1	-1.9	0.0	3.6	0.6
Closing cash	\$m	2.7	0.8	0.8	4.4	5.0
Free cash flow	\$m	0.1	-2.5	0.1	-18.8	-11.3

Source: RFA reports, MST Access estimates

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3Q23 Update

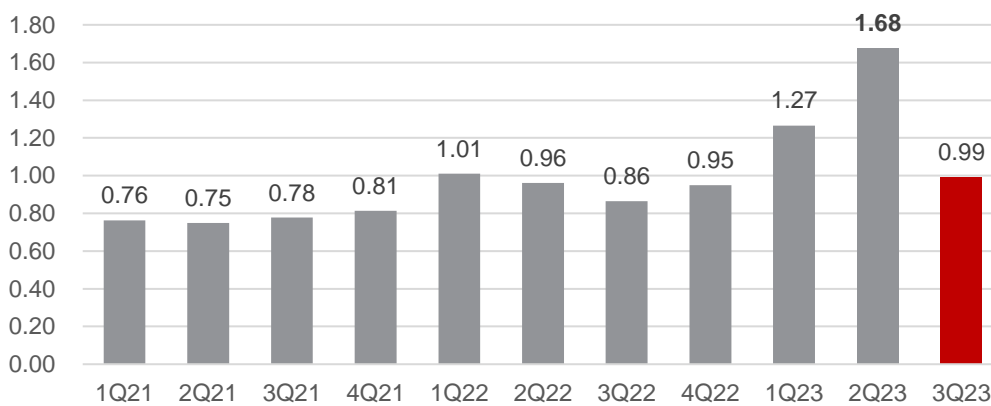
Recent sales performance

Rare Foods Australia (RFA) continued to advance its core business of abalone sales during Q3, achieving revenue sales of \$0.99m for the quarter (vs \$1.68m in Q2). While the result was weaker QoQ, this was a record for the Chinese New Year quarter, underpinned by 19.2 tonnes of sales. The primary driver of the weaker seasonality during the quarter is due to forward orders received and distributed in Q2 leading up to Chinese New Year, which means distributors are well stocked leading into Q3, pushing reorder points out towards the end of the quarter.

Within the total sales volume, two tonnes of wild origin abalone were sold, equating to \$95k of revenue (\$386k YTD). Third party abalone sales also generated an additional \$77k in revenue during the quarter (\$108.9k YTD). Both of these additional revenue streams from third party sourced abalone add to RFA's tiered offering, across ranched, wild and farmed abalone. They also highlight the further potential to capitalise on RFA's processing facilities, sales and marketing channels and the internationally recognised "Rare Foods" brand.

The forward outlook remains positive with existing YTD sales and forward non-binding orders exceeding FY22 sales (109%).

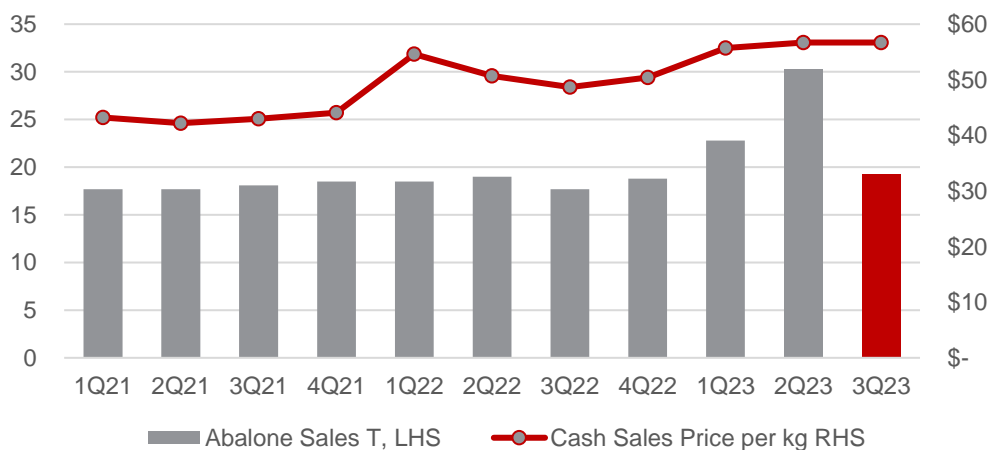
Figure 1: Quarterly RFA sales revenue (\$m)



Source: Company Reports, MSTe

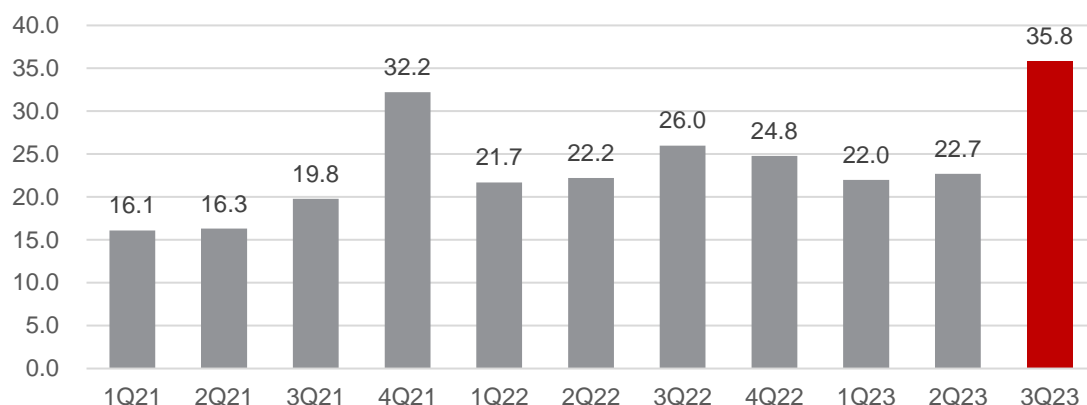
As highlighted below, sales volumes beat the prior corresponding period, while average sales price per kg remained consistent.

Figure 2: Quarterly RFA sales volume T (LHS) and average sales price / kg (RHS)



Source: Company Reports, MSTe

Figure 3: Quarterly RFA processing volume of ranched wild greenlip, wild origin & farmed tonnes

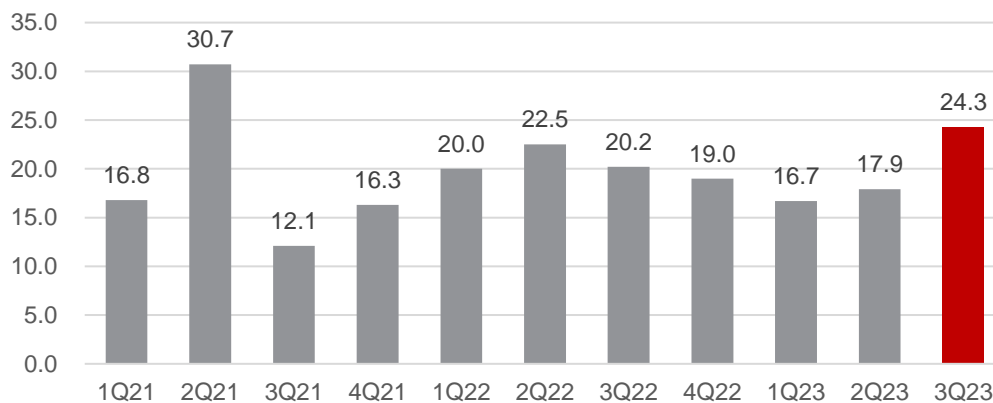


Source: Company Reports, MSTe

Harvest and processing volumes

To support abalone product sales, 24.3 tonnes of abalone was harvested, up from 17.9 tonnes in the previous quarter. YTD harvested volumes now total 58.9 tonnes (vs FY22 harvest of 81.7 tonnes). We have updated our FY23 harvest forecast to 82 tonnes, from 90 tonnes previously, in line with the latest management guidance that they are on track to harvest a similar quantity of abalone from the ranch compared to FY22. RFA's harvest activities continue to be supported by a pool of approximately 15 divers, which are mostly recruited, trained and accredited in partnership with the Commercial Dive Academy. Accredited overseas divers provide another available channel of talent as well, with additional overseas hires made during Q2 to meet harvest and deployment targets.

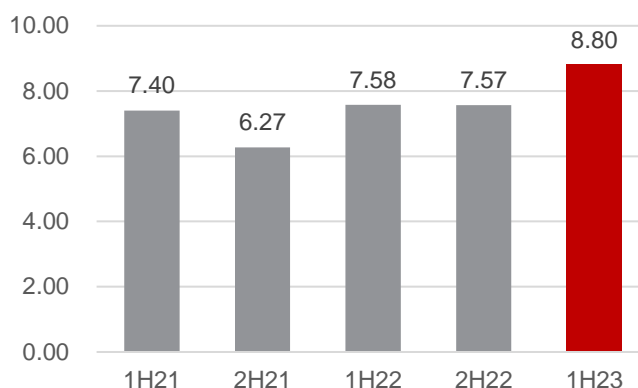
Figure 4: Quarterly RFA ranched wild greenlip harvest volume (tonnes)



Source: Company Reports, MSTe

During the quarter, RFA processed 35.8 tonnes of ranched, wild and farmed abalone, a marked increase on the prior corresponding period and previous quarter, which is being aided by a consistent increase in processing capacity on site.

Figure 5: Ranched wild greenlip biomass value (\$m)



Source: Company Reports, MSTe

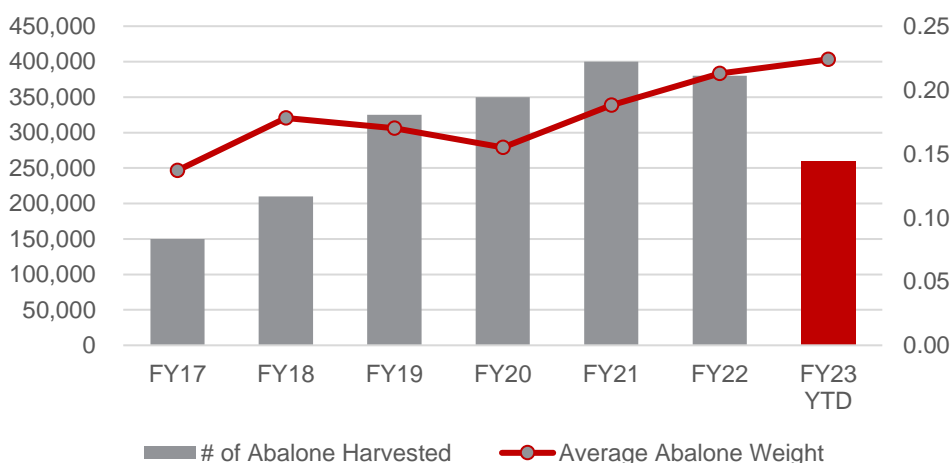
Continued R&D supports biomass management

RFA continues to balance its harvest to order needs against biomass sustainability. The biomass has remained consistent in overall size at 196 tonnes, according to the latest bi-annual assessment completed in January. The assessment equates to a fair value of \$8.8m, +16% vs six months prior, which was driven by higher average sales prices (+9%), and reduced costs to harvest, process and sell (-23%).

RFA's R&D focus is beginning to show measurable impacts with the Flinders Bay reef now producing larger abalone, averaging 224 grams, a new record (+4% vs FY22). Increases in average size mean lower volumes of abalone need to be harvested for greater tonnage output. This follows improved practices around bin deployment, transport, ABITAT preparation and location and other juvenile defence mechanisms to maximise growth and survival. Harvest plans also continue to be refined with updated "pick plans" to ensure larger product is harvested.

Based on RFA's recent biomass survey and current average sales prices, every 10% improvement in the survival rate of juveniles as they grow to become fully grown Abalone over three years, equates to an approximate additional \$1.1m in revenue, with no additional cost.

Figure 6: Ranched wild greenlip harvest abalone numbers & size (kgs)



Source: Company Reports, MSTe

Investment in the above areas of biomass management will likely continue to be supported by claimable R&D expenditure on a sustained basis (received as a 43.5% refundable tax incentive on the income statement). RFA is currently populating and testing a newly created Digital Twin of the Rach to improve management of the biomass. The plan to move and seed 2k underperforming reefs (20% of total ABITATs) to firmer areas of the ocean floor with improved natural food supply (largely dictated by ocean swells) also continues to be a priority and remains on track to be completed by the end of calendar year 2023. RFA has now moved 812 of a planned 2,172 ABITATS, using a customised ABITAT moving vessel. The use of the ocean floor remains a key barrier to entry for competitors given RFA holds the only two leases in WA (Flinders Bay being one with 413 hectares), which allow the placement of ABITATs for the wild farming of Greenlip abalone.

Other commercial outcomes

Sales roadshow event

During the quarter, RFA's General Manager of Sales & Marketing attended the Boston Seafood show to promote RFA's abalone products (ranching, wild and farmed), which has led to further wholesale enquiries. This market engagement is part of RFA's ongoing push to drive demand tension for its MSC accredited product with master distributors offshore in the USA, as well as Asia (HK, Singapore, Japan & Vietnam) and the UK. Global distributors, who service upmarket restaurants, provide consistent and repeat demand and create economies of scale by reducing the logistical costs involved with selling to multiple smaller buyers.

Premium retail offerings on site

Sales continued at the newly opened retail premises, Ocean Pantry, generating \$31k in revenue from its café service and direct retail sales of abalone. Retail pricing is up to twice the bulk rate (more than \$100 per kg) with growth in this retail channel expected to aid RFA's sales mix and margin growth over time. This was the first full quarter of operation for the retail premises with YTD sales now totalling \$51k. Looking ahead, RFA's Ocean Pantry will develop into a hub to promote their innovation with tour visitors and collaborate with other locally sourced rare and premium producers.

RFA achieved its first inaugural sales of 540 bottles of Ocean Cellared wines with partner Glenarty Road (58% of stock sold by end 3Q), with further wine deployed in the ocean through agreements with Glenarty (2,500 bottles) and Edwards Winery (1,600 bottles). 1,500 of the Glenarty Road deployment and half of the Edwards Winery deployment will be allocated to RFA for sale in the last quarter of this calendar year.

Esperance & other initiatives looking to increase scale

The Esperance project, which would add significant scale to RFA's abalone output, continues to be a part of the company's long term growth strategy, beyond the current core business. As previously mentioned, the project involves a new hatchery and farmed abalone site in nearby Esperance, WA. This could see an additional 300T pa net to RFA (50% interest), lowering the cost of juveniles and increasing margins through scale. Yumbah is a very credible partner, being the largest abalone aquaculture producer in Australia. We assume the cost of this project is \$37m net to RFA, funded with both debt and equity.

During the quarter, the company and Yumbah Aquaculture led a workshop with stakeholders including the department of primary industries and regional development (DPIRD), local indigenous group ETNTAC and the WA Government. According to management, these key stakeholders agree with the merits of the project.

Separately, as an existing producer of rare product in the southwest region of WA, RFA continues to explore complementary opportunities that would be accretive and fit well the premiumisation strategy undertaken by the company, consistent with the new "Rare Foods" brand.

Financials

Operating cashflow during the quarter was -\$573k, taking overall operating cash flow to \$156k YTD. The YTD result is aided by the \$1.8m R&D refund received from AusIndustry in Q2. Total operating cashflows for the quarter included \$1.2m in customer receipts, with operating cash outflows of \$1.78m (much of which is again claimable for R&D) and related party payments of \$120k (covering director and cold storage fees). Part of the deficit was due to seasonality around Chinese new year, as mentioned above. RFA also continues to invest heavily to capitalise on the R&D funding available, while building further scale in the business. According to management, without this investment in the business to support growth initiatives, running of the core business solely would increase operational cashflow by approximately \$750k.

Taking into account the FV adjustment from the increased value of the biomass, we expect RFA to be marginally profitable and cashflow positive (operating) in FY23. Cash on hand for the company is now \$240k. Working capital remains well supported by the current forward order book and \$2.5m overdraft facility with NAB, which has been increased from \$1.0m.

MST Site Visit

During the quarter, MST visited the Augusta harbour site for an afternoon, approximately 3 hours south of Perth. As part of the visit, General Manager of Augusta Operations, Joel Durell, showcased every aspect of the operations including:

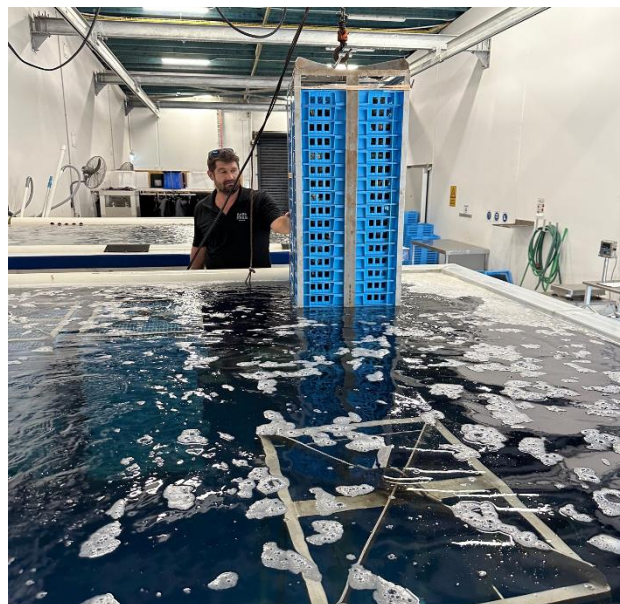
- **Ocean site:** which covers 413 hectares and is a brief boat ride offshore. About 10k abalone ABITATS are located 18m below the water surface on the seabed, with each ABITAT block containing 200-250 abalone. RFA services the area with four purpose-built deployment boat vessels used by divers (as pictured). At present, only about 5% of the leased area is in use, highlighting the forward potential for further use, including other innovations such as ocean-celled wine. RFA has a paramount focus on risk management, safety and sustainability. Regarding the latter, the ranch has enhanced the environment in which they operate by effectively creating a thriving ecosystem, including schools of jew fish and snapper, and occasional sea turtles. The abalone benefit through entirely natural sources of food which flow through the ocean site.
- **Processing facility:** is located directly next to the harbour operations, which means the time taken from the last abalone being plucked to them being deployed in purpose-built sea water storage tanks is about 15-20 minutes. Thereafter, a dedicated team processes the abalone into various products, including whole in shell and frozen quantities. As part of the sustainable ethos within the group, all materials are used including any remaining gut and shells.
- **Ocean pantry:** provides a retail premises, alongside a café service, to promote RFA's product, innovations and other locally sourced rare and premium producers.

Figure 7: LHS: is the view from the Ocean Pantry verandah to the harbour, which showcases a couple of ABITATs in the bottom right hand corner. RHS: dive vessels used by divers for ranch management, juvenile deployment and harvesting.



Source: MST

Figure 8: LHS: RFA's processing facility, at the entrance to Augusta Harbour. RHS: demonstration of freshly picked abalone being stored live in purpose-built sea water tanks, before they proceed to processing.



Source: MST

Figure 9: Display of abalone products, innovations and other rare and premium producers, including local wineries, who have started ocean-cellar wine in partnership with RFA.



Source: MST

Valuation

Assuming no change to the timeline for the potential Esperance project since our last update, our base case DCF valuation remains \$0.33, implying significant upside from the current share price. For the core business alone ex Esperance, our valuation is \$0.13 which presents 68% upside.

As at end March 2023, RFA has secured sales for wild caught greenlip for the FY23 annual period equating to 109% of FY22 sales. As the mix of sales improves to a more premium level customer, aided by the new MSC Accreditation and premiumisation strategy, pricing should continue to improve from average levels of \$56.70/kg up towards \$60.00/kg (FY22 pricing was \$51/kg). While harvest

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volumes are slightly lower than initially expected for this year, our sales volumes and revenues remain less affected given the new revenue streams from sales of wild and third party sourced abalone. We continue to forecast sales volumes of 140 tonnes by end FY25, across the three tiers of farmed, ranched (from the biomass) and wild abalone product, excluding Esperance.

Importantly, the supply of 1.2m farmed juveniles per annum is locked in for the next two years approximately, with fixed pricing. With this, RFA stands to benefit from greater operating leverage as they continue to increase the survival rates and growth.

Key assumptions of our DCF

- We assume that **prices** (and, in turn, **COGS**):
 - After rebounding strongly by 19% post Covid in FY22 to ~\$52/kg, increase 5% pa over FY23-FY25 as RFA benefits from its premiumisation strategy
 - continue to grow 3% pa long term.
- We assume that harvested **volumes**:
 - increase to hit the company's target of 140T pa by FY25
 - increase beyond this with Esperance to beyond 400T pa by FY29.
- We assume that the business benefits from **leverage at most cost lines** (excluding employee costs rising between 3-7% pa and corporate costs rising 2% pa). RFA has locked in juvenile supply agreements for the following two years at fixed prices, allowing the company to benefit from better pricing.
- Including the FV adjustment from RFA's biological assets, we expect RFA to be profitable in FY23 and FY24, before some additional expense is incurred with development of the Esperance site. At present, we assume RFA's 50% share of the Esperance capital works (~\$37m) will be funded approximately with two thirds debt, and one third equity.
- **Tax losses** of \$15.2m imply that RFA will not be paying tax until FY29 on our estimates. These tax losses include the non-cash item of fair value adjustment on the biological assets, which has accumulated +\$9.7m in FY15–FY22. Therefore, this tax loss underestimates the true cash loss.

Further Potential Valuation Upside

We see further upside potential to our valuation. Factors that could potentially further lift our valuation include:

- **Increased yield:** achievable through lower mortality and higher productive growth rates
- **Higher pricing:** our forecast of \$54.5/kg in FY23, growing to \$60/kg by FY25, may be conservative given current bulk pricing as well as RFA's strategic move towards higher levels of retail sales
- **Higher sales volumes**
- **Increased utilisation and increased revenue from in-house processing plant:** not only for in-house-sourced aquaculture but also for externally sourced product from third parties
- **Potential acquisitions, diversification and/or JV agreements**

Key Risks

- **Aquaculture-related operational risks:** these include the risks associated with safety of abalone diving, disease, theft, environmental changes, and severe weather events.
- **Incorrect biomass assessment:** given the assessment of biomass is carried out every 6 months using a sample, there is a risk the asset base is over or understated.
- **Greenlip abalone prices and industry supply/demand dynamics:** this can include additional unexpected supply domestically or offshore, through potential advanced technologies. It can include depressed demand from economic volatility or through government intervention with additional tariffs applied to the sector.
- **Further changes to the Esperance Project:** the Esperance project makes up \$A0.20 of our A\$0.33 valuation. Further delays due to extended labour shortages and other capex price increases may impact project expectations in the future.

- **Tariffs:** an increase in the Chinese trade tariff on abalone would lead to weaker sales and prices, as occurred with lobsters.
- **Forex risk:** with export abalone sold in US dollars.
- **Current concentration risk** on both the supplier and vendor side, and associated risk of dependency.
- **Government relationships** through lease and licence approvals.
- **Partner relationships** relating to various partnerships including Ocean King Fishing and Yumbah Aquaculture. Expansion plans depend on an effective relationship.
- **Key management risk:** key management could be a risk if they departed the business and took with them their business relationships that may impact RFA.
- **Funding:** in order to successfully execute their growth plans, RFA will require external funding. The equity markets may be closed to RFA for a variety of reasons, in which case it may have to seek alternative options.

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